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C O N F I D E N T I A L SANTIAGO 000905

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E.O. 12958: DECL: 2019/11/18
TAGS: [PREL](#) [PGOV](#) [MASS](#) [CI](#) [PE](#)
SUBJECT: Chile Tries to Tamp Down Peru's Reaction to Potential FMS
and Spy Story

REF: LIMA 1653; LIMA 1647; LIMA 1635; SANTIAGO 893; SANTIAGO 887
SANTIAGO 869; SANTIAGO 339

CLASSIFIED BY: Paul Simons, Ambassador; REASON: 1.4(B), (D)

11. (C) Summary. Chile has responded in measured tones to increasingly harsh comments from President Garcia of Peru after Peru reported that a Peruvian military official was arrested for spying for Chile. After Garcia said the alleged spying was something for a banana republic and not a democracy, President Bachelet criticized the comments as "offensive." The spy story was published the same day that the Defense Security Cooperation Agency announced potential Foreign Military Sales to Chile. Peru also criticized the potential FMS sale, and in response Chilean officials have emphasized that the sales would replace existing defensive equipment. The spy story has largely overshadowed the potential military sales. (The Ambassador's November 18 meeting with FM Fernandez is reported septel.) End summary.

Weapons and Spies -- Latest Friction between Chile and Peru

12. (U) On November 12, the Defense Security Cooperation Agency (DCSA) announced that it had notified the U.S. Congress of the potential sale to Chile of three military systems under the Foreign Military Sales (FMS) program: Sentinel radars, the Avenger air defense system, and AMRAAM missiles. That afternoon, Defense Minister Francisco Vidal acknowledged to the media the potential sales. In doing so, he stressed two points: that Chile was replacing aged defensive systems, and that these were potential, not definitive sales. Expanding on the second point, he said that Chile would consider options from other countries and the posted headline sales price (\$640-665 million) was the uppermost limit, and that Chile would spend less than that.

13. (U) Also on November 12, the Peruvian media reported that a Peruvian military official, Victor Ariza Mendoza, had been arrested in Peru for allegedly spying for Chile (ref a and b). The media in Chile and Peru reported the spying story and the potential FMS sale as two factors leading to Peruvian discontent with Chile, also linking those stories to the potential impact on Peru's proposal

for a Peace and Security Cooperation initiative (reftel c). The Chilean media subsequently reported, citing Chilean government sources, that Ariza had been detained for approximately two weeks before the story became public. Chilean press articles suggested that that Peruvian officials decided to release the story to capitalize on anticipated discontent with potential FMS sales.

Peruvian Reaction

14. (U) On November 13, President Garcia of Peru, who was visiting Singapore for the APEC summit, announced that he would return to Peru a day earlier than anticipated and that he was cancelling a previously scheduled bilateral meeting with President Bachelet (reftel a). Peru also announced that it was recalling its Ambassador to Chile for consultations. In addition, Peru announced that Minister of Production Mercedes Araoz was cancelling a November 18 visit to Santiago, where she was scheduled to meet with President Bachelet and FM Mariano Fernandez to discuss Peru's Peace and Security Cooperation proposal.

15. (U) According to media reporting, on November 16, Garcia more sharply criticized Chile, stating that the alleged spying was repulsive, inconsistent with a democratic country, and lowered Chile's international standing. Garcia further criticized Chile for being in an arms race and said the "Hague court and what it says can't be answered by war games," alluding to the pending maritime dispute. (See also reftel a.)

Chilean Response

16. (U) According to Chilean media, on November 14, Bachelet approached Garcia at an APEC reception to express her displeasure that Garcia highlighted bilateral friction in multilateral fora, noting that Garcia had asserted (erroneously) just before a UNASUR summit in August that Chile and Bolivia were negotiating a secret pact. In response to the alleged spying incident, FM Fernandez has stated publicly that Chile does not spy, a point that was reiterated by presidential spokesperson Carolina Toha.

17. (U) Following the APEC summit, Bachelet continued her planned itinerary, flying to Rome to participate in a summit organized by the Food and Agriculture Organization (FAO). FM Fernandez returned to Santiago, where he met first with Chile's ambassador to Peru (in-country for personal reasons), and then met with the Minister of Interior Perez Yoma and Minister of Defense Vidal. Following the meeting, Fernandez reiterated that Chile does not spy, and Vidal re-emphasized that Chile was not in an arms race, was only replacing old material, and that Peru already possessed military capabilities similar to the proposed purchases. Chile's Ambassador to Peru has been instructed to remain in Santiago until further notice.

18. (U) Upon Bachelet's return to Chile on November 17, after meeting with her foreign policy team she publicly criticized Garcia's November 16 comments as "offensive and grandiloquent (altisonante)." She added that the comments "do nothing to contribute to the cooperation and integration that we should stimulate between neighboring countries."

Chilean Views on Peru-Chile Relations

¶9. (C) In contrast to Chile's relatively good relations with Argentina (with whom Chile has just signed an integration treaty) and Bolivia, Chile's current relations with Peru are tense and feature frequent highly public squabbles. Prior to the latest go-round sparked by allegations of spying and proposed military sales, Peru publicly complained about the underlying scenario for the Salitre multilateral military exercise (reftel f).

¶10. (C) Prior to the recent spats over Salitre and spying, the Chilean Deputy Director for South America in the Foreign Ministry had characterized Peruvian-Chilean relations as "frozen" by Peru's decision to challenge the existing maritime border between Peru and Chile in the International Court of Justice (ICJ) in the Hague (refel f). (Chilean officials have consistently told us that Chile

will honor any decision issued by the ICJ, contrary to Peruvian allegations in reftel a.) In practice, bilateral relations are not completely frozen since important areas of engagement, including trade, investment, and law enforcement cooperation, continue largely uncolored by the high profile disputes. However, Chilean military officials report that their efforts to pursue confidence building measures with their Peruvian counterparts are usually rebuffed.

¶11. (C) While senior Chilean officials have been guarded in their comments, upper mid-level officials in the Foreign Ministry and military maintain that the high profile spats are generated by Peru to distract the Peruvian public from domestic Peruvian problems. Regardless of the underlying cause, following the sparring over Salitre, both the Foreign Minister and Presidential Foreign Policy Advisor told the Ambassador that Chile was trying to lower the rhetoric level (reftels d and e).

¶12. (SBU) The Ambassador met with FM Fernandez on November 18. This cable summarizes information available up to that meeting, which is reported septel.

¶13. (C) Comment. In contrast to the Salitre incident, where comments by Defense Minister Vidal helped fuel the controversy, thus far Chilean officials have been discrete in their public response to the potential FMS sale and the spy incident, responding to the developments with mild, pre-crafted talking points. It appears to us that the Chilean government has acted effectively to take wind out of any public controversy regarding the potential FMS sale, and has responded to harsh comments from Lima in measured tones, meeting domestic needs to respond to the Peruvian assertions while not adding additional fuel to the fire.

SIMONS